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November 20, 1992

To: Members of the Executive Board
From: The Secretary
Subject: Sweden - Exchange Rate Action

The Secretary has received the following memorandum dated November 19, 1992 from Mr. Fridriksson:

Please find attached a press release from the Swedish Central Bank--Sveriges Riksbank--on its decision to let the krona exchange rate float.

Attachment

Other Distribution:
Department Heads



PRESS RELEASE 69/1992

19 November 1992

THE SWEDISH KRONA FLOATS

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Sveriges Riksbank -- the Swedish central bank -- has decided, effective immediately, to let the krona exchange rate float. The Riksbank thus ceases to buy and sell kronor in order to defend the fixed rate relative to the ecu. The increase in the marginal interest rate to 20 per cent announced this morning is cancelled. Instead the marginal interest rate is set to 12.5 per cent.

In the last couple of days, there has been massive speculation against the krona, forcing the Riksbank to intervene heavily in the foreign exchange market to support the krona. The increase of the marginal interest rate to 20 per cent announced this morning has proved insufficient to stabilize the krona. In the current circumstances, additional increases in interest rates would not create market stability.